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**Corporatism in small North-West European countries
1970-2006: Business as usual, decline, or a new
phenomenon?**

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**Corporatism in small North-West European countries 1970-2006: Business as usual,
decline, or a new phenomenon?**

Abstract¹

This paper evaluates apparent changes in corporatist policy formation in nine small North-West European nations between 1970 and 2006: Austria, Belgium, Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and Switzerland. The changes regard an observed development in the literature from ‘classical’ patterns of corporatist policy formation to ‘competitive’, ‘lean’ or ‘supply-side’ types. Using an actor oriented approach of corporatism, the paper argues that these apparent changes work out differently in different countries. In six countries (Austria, Denmark, Finland, the Netherlands, Norway and Switzerland), with occasional ups and down and with more or less success in terms of agreement, corporatist policy formation has remained business as usual. In Belgium and Sweden corporatist policy formation has declined. In Ireland corporatist policy formation is a new and successful phenomenon. The paper concludes that an actor oriented approach of corporatist policy formation enables comparative research to investigate actors’ behaviour and explain the results of that behaviour.

Keywords: corporatism, social partnership, industrial relations, social pacts, macroeconomic policy-making, comparative politics

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Corporatism in small North-West European countries 1970-2006: Business as usual, decline, or a new phenomenon?²

The central question of this paper is how to evaluate the apparent changes in corporatist policy formation that are captured in the literature by the observed change from ‘classical’ patterns of corporatism in the 1970s to ‘competitive’ corporatism (Martin 2000; Rhodes 2001), ‘lean’ corporatism (Traxler 2004), or ‘supply-side’ corporatism (Hassel and Ebbinghaus 2000) since the 1990s. The paper focuses on corporatist policy formation in nine small North-West European nations between 1970 and 2006: Austria, Belgium, Denmark, Finland, Ireland, the Netherlands, Norway, Sweden, and Switzerland³. Apart from Ireland, these countries are commonly classified as corporatist (e.g., Siaroff 1999; Kenworthy 2003; Wilensky 2006)⁴. Based on recent research into industrial relations, social partnership and social pacts, Ireland has been included as well (Teague and Donaghey 2009; Roche 2007; Baccaro and Simoni 2007; Baccaro and Lim 2007; House and McGrath 2004).

² Earlier versions of the paper have been presented to the conference on *Change and continuity in the small West European countries’ capitalisms* in Amsterdam (Netherlands), 19 and 20 June 2008 and the SASE 2008 Conference in San José (Costa Rica), 21-23 July 2008.

³ Luxembourg is not included because of its small size. Because of their rather different historical trajectories, neither are other small(er) countries in Southern (Portugal, Grece) or Central and Eastern Europe (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Slovakia, Slovenia).

⁴ This focus on the classical corporatist nations in North-Western Europe, except Ireland, may seem to ignore the possibility of changes in the institutional set-up of countries or in actual policy formation like ‘social pacts’. However, even dynamic scales of corporatism show only some variation within (corporatist or non-corporatist) countries over time. No country has been identified as clearly shifting its institutional set-up from non-corporatist (pluralist) to corporatist or vice versa (e.g., Siaroff 1999; Kenworthy 2001; Vergunst 2004: 72; Traxler 2004). Regarding actual policy formation, not only many corporatist countries but also a number of non-corporatist countries, in particular Ireland, Italy, Portugal and Spain in the 1990s and early 2000s, practised social pacts between trade unions, employers organisations and governments in an effort to qualify for the European Monetary Union (EMU). With the exception of Ireland – hence its inclusion in this paper – in the other non-corporatist countries social pacts markedly decreased in the early 2000s after accession to the EMU was achieved, whereas social pacts remained a common phenomenon in most corporatist countries (Woldendorp and Delsen 2008). This suggests that in non-corporatist countries these pacts represented emergency policies to qualify for the EMU rather than an institutional development from non-corporatist to corporatist (e.g., Hancké and Rhodes 2005; Hassel 2006, 2009; Acocella et al. 2009; Natali and Pochet 2009; Ahlquist 2010).

The paper reviews available research – comparative and country case studies – and, using an actor-oriented approach of corporatist policy formation, shows that between 1970 and 2006, in most countries corporatist policy formation has – with ups and downs – remained pretty much business as usual. That is the case in Austria, Denmark, Finland, the Netherlands, Norway and Switzerland. Contrarily, in Belgium and Sweden corporatist policy formation has declined. Finally, in Ireland it is a relatively new phenomenon.

What did change, however, was the context in which corporatist policy formation occurred. After the era of reconstruction post World War II, in which corporatism had effected a generalised political exchange of wage moderation (to keep up competitiveness on the world market) for public policy (employment, social security, education, health – e.g., Katzenstein 1985; Marin 1990), all countries experienced a transition period in the 1980s or early 1990s. In this transition period, the countries had to contend with the combined socio- and macro-economic effects of the oil crises (1973 and 1979) and increased globalisation (de-industrialisation and transition to a service economy, e.g., Maddison 2006; Traxler et al 2001; Scharpf and Schmidt 2000; Kitschelt et al 1999) or a country specific economic crisis, like Finland in the early 1990s after the demise of the Soviet Union (e.g., Grote and Schmitter 2003; Kauppinen 2000). The macroeconomic effects of increased inflation, decreased economic growth, and increased unemployment was escalating government expenditure that produced large budget deficits and rapidly increasing public debts. To counter their deficits and debts all countries implemented expenditure saving policies with more or less impact (Castles 2004).

On the European level, the Single Market (1992) and the agreement in the early 1990s to form a European Monetary Union (EMU) by 1998 set the international stage for the countries' macroeconomic and fiscal policies. In the 1990s the requirements to qualify for the EMU became the central issue for generalised political exchange of wage moderation for a

host of active labour market policies and negotiated changes in the welfare state (entitlements and benefits – e.g., Hancké and Rhodes 2005; Hassel 2006; Natali and Pochet 2009; Ahlquist 2010). After introduction of the Euro, the Stability and Growth Pact continued this setting for generalised political exchange in the 2000s (e.g., Acocella et al. 2009).

In Austria, Denmark, Finland, the Netherlands, Norway and Switzerland sooner or later and with more or less agreements between government and social partners this generalised political exchange took effect in the 1990s. In Belgium and Sweden this political exchange was largely imposed on social partners by the government. In Belgium due to the process of federalisation and decentralisation to the linguistic communities (Keman 2008; Deschouwer 2006; Kuipers 2006: 55-57; Hemerijck and Visser 2000), whereas in Sweden from the early 1980s the employers refused to cooperate with the trade unions and (social democratic) government (Lindvall and Sebring 2005; Blom-Hansen 2000). Irish corporatism, lastly, is relatively new. As an Anglo-Saxon country it has no history of corporatist political exchange after World War II. After a series of increasingly more tripartite agreements in the 1970s that did not have the expected positive macroeconomic effects, the new corporatism of Ireland took off from 1987 and continues into the present. Initially the exchange started as an attempt to counter a fiscal crisis of escalating government deficits and public debt. The exchange included wage moderation (to attract foreign direct investment) for tax reductions. Due to the high influx of foreign direct investment (and European funds) in the 1990s the government was able to compensate wage moderation with tax reductions (and other public policies) and at the same time collect sufficient taxes to reduce deficits and debt (Teague and Donaghey 2009; Roche 2007; see also Baccaro and Lim 2007; Baccaro and Simoni 2007; Hassel and Ebbinghaus 2000: 4).

The structure of the paper is as follows. In the first section the actor-oriented approach of corporatism will be elaborated. In the next section the changes in the international macro-

economic and political context and the concomitant changes in issues of corporatist policy formation between 1970 and 2006 will be briefly sketched. The following section is devoted to the six countries in which corporatist policy formation remained business as usual: Austria, Denmark, Finland, the Netherlands, Norway, and Switzerland. In the fourth section declining corporatist policy formation in Belgium and Sweden will be discussed. The new corporatist policy formation in Ireland is the subject of section five. The paper concludes with the contribution of the actor-oriented approach of corporatist policy formation to comparative research.

1. Corporatism: The concept

In this section the two general types of conceptualisation and operationalisation of corporatism⁵ will be discussed (Molina and Rhodes 2002). The paper will argue that an actor-oriented approach of corporatism as strategic, interdependent behaviour of government and social partners (trade unions and employers associations) in policy formation is to be preferred over structural or functional (and often more static) approaches of corporatism. The main argument is that concerted socio- and macroeconomic policy formation within democratic systems that feature changing party government and have to contend with changing exogenous macroeconomic and international contexts is by its very nature dynamic and not fixed (Lijphart 1999: 258-274).

The first type of conceptualisation and operationalisation looks at corporatism as a set of bipartite (trade unions and employers associations) or tripartite (social partners and party government) institutions that govern the political economy with the aim of producing certain socio- and macroeconomic outcomes like incomes equality, economic growth, employment, low inflation, social security and the like. The assumption is that the more, and the more cen-

⁵ In comparative research the concept of corporatism generally refers to the realm of socio- and macroeconomic policies and the three actors involved in those policy areas: party government, employers associations and trade unions (e.g., Lehmbruch 1979; Schmitter 1979).

tralised, corporatist institutions, the more coordinated the behaviour (bi- or tripartite policy agreements) these institutions can produce and the more likely it is that the policies agreed upon will be implemented and, consequently, the more likely it is that these policies will result in the preferred outcomes (effectiveness). Corporatism is regarded as an independent (and structural, often static) variable explaining performance through (the operation of) institutions (e.g., Calmfors and Driffill 1988; Lijphart and Crepaz 1991; Lijphart 1999; Traxler and Kittel 2000; Traxler 2000; Kenworthy 2003, 2006; Hall and Gingerich 2004). The exact relations between this type of corporatism and socio- or macroeconomic performance, however, remains a contested issue. Not all researchers of corporatism conclude that it is an important explanatory factor for performance (e.g., Therborn 1987; Woldendorp 1997; Flanagan 1999; Kenworthy 2006).

The second approach considers corporatism as strategic and interdependent behaviour of the three actors involved in policy formation within the set of institutions governing the political economy. Strategic interdependent behaviour of trade unions, employers associations and party government may or may not result in a policy consensus (agreement on political exchange), depending on the macroeconomic and international context in which both party government and social partners will have to take their strategic decisions. In this view corporatism is an intervening variable explaining (the success or failure of) policy formation and implementation but not necessarily of socio- or macroeconomic performance. Joint, generalised political exchange does not automatically nor immediately translate in a positive macroeconomic performance (e.g., Lehmbruch 1979; Katzenstein 1985; Armingeon 1994; Keman and Pennings 1995; Jones 1999; Woldendorp and Keman 2006, 2007, 2010).

Following Keman (1999) and Molina and Rhodes (2002) in this paper corporatism is conceptualised as a mode of policy formation, i.e. political exchange or ‘corporatism 2’ (cf. Molina and Rhodes 2002) that involves party government and the two relevant socio-

economic actors: trade unions and employers associations; rather than a systemic, structural or functional phenomenon ('corporatism 1' – cf. Molina and Rhodes 2002; see also Hassel 2009) that is characterised by (corporatist) institutions, cooperation and consensus (between trade unions and employers associations), unionisation, and social democratic government (e.g., Jessop 1979; Schmitter 1979; Marks 1986; Crepaz 1992).

The conceptualisation of corporatism as a mode of policy formation implies an analysis of the behavioural patterns of the actors within the institutional context in which this process is embedded. In this regard much is owed to Katzenstein (1985; see also Katzenstein 2003) who proposes a conceptualisation of corporatism as a political mechanism to cope with conflict as a consequence of socio- and macroeconomic *change* in small nations whose economies are dependent on the vicissitudes of the world market, by incorporating government and organised interest groups in the formation and implementation of socio-economic policy. Democratic government plays a vital part in this process of policy formation. To quote Teulings and Hartog (1998: 297): "corporatism requires *political management*" (their emphasis); or Keman (1999: 265): "in the case of corporatism, the room to manoeuvre (of trade unions and employers' organisations –jjw) is by and large defined by party-government" (see also Molina and Rhodes 2002).

Corporatist policy formation can be characterised as *business-as usual*, *decline* or a *new* phenomenon. Business-as-usual corporatist policy formation occurs when the actors involved between 1970 and 2006 more or less continuously attempt to arrive at joint policies but not always and consistently achieve that goal due to their differing views of the socio- and macroeconomic and international context and related issues. Agreements, government imposed policies and uncoordinated policies may all occur, but (trying to achieve) agreement should be the usual pattern of policy formulation and implementation.

A decline of corporatist policy formation occurs when the actors involved between 1970 and 2006 cease to try to arrive at joint and generalised political exchange, which makes agreement on socio- and macroeconomic policies progressively more difficult or impossible to achieve; or when despite repeated attempts by one or more of the actors involved they are increasingly unable or remain unwilling to come to a policy agreement. The consequence may be policies imposed by party government or uncoordinated policies in which actors go at it alone, or an alternation between these extremes.

Finally, new corporatist policy formation occurs when without much prior attempts by one or more of the actors involved to arrive at joint policies this phenomenon does occur and continues over some period(s) of time between 1970 and 2006. One-off attempts or scattered agreements over time are not counted.

The next section discusses both the context in which the (corporatist) process of policy formation took place between 1970 and 2006, as well as the resulting issues the three actors had to deal with.

2. Context and issues for corporatist policy formation 1970-2006

Socio- and macroeconomic policy formation in the small North-West European nations does not occur in an unchanging context. The issues involved changed over time, as the macroeconomic and international context changed. Between 1970 and 2006, the nine countries all had to deal with a transition from a context of relative macroeconomic prosperity through a crisis period of severe macroeconomic problems and fiscal crisis in the 1980s or early 1990s to a context of (relative) macroeconomic recovery since the mid 1990s, followed by an economic downturn in 2003-2005.

The main issues for corporatist policy formation until the mid 1970s included wage restraint to keep up national competitiveness on the world market in exchange for public policy (the welfare state: social security, employment, health, education) based on Keynesian demand management (e.g., Katzenstein 1985; Cameron 1978, 1984; Marin 1990). The oil crises of 1973 and 1979, combined with globalisation (de-industrialisation and the growth of the service economy, e.g., Maddison 2006; Traxler et al 2001; Scharpf and Schmidt 2000; Kitschelt et al 1999), resulted in severe macroeconomic problems in the 1980s or 1990s that could no longer be redressed with classical Keynesian demand management.

The combination of high inflation, low or no economic growth and massive unemployment severely curtailed social partners room to manoeuvre in the 1980s. This macroeconomic combination also induced a fiscal crisis, increasing government deficits and public debt, that likewise curtailed the government's room to manoeuvre in the policy formation process. Corporatist exchange became increasingly difficult and in a number of countries corporatism itself became to be seen as part of the problem, instead of as a possible solution. The main issue for corporatist policy formation remained wage restraint, but employers and the government had little to offer the trade unions in exchange except negotiated downward adjustment of wages, employment and other social security benefits or entitlements, as well as early retirement and some active labour market policies. In most countries, corporatist policy formation turned out to be difficult (but not impossible) in this period of transition from Keynesian demand management to stricter monetarist and supply-side management.

In the 1990s, within a recovering macroeconomic context (after the 1992/1993 European-wide recession – e.g., Hancké and Rhodes 2005; Hassel 2006; Natali and Pochet 2009; Ahlquist 2010) that was combined with increasing European integration (the Single Market in 1992 and the process towards EMU in 1998) the room to manoeuvre for all three actors increased again and corporatist exchange became more feasible. The issues for political ex-

change in this period remained wage restraint to keep up international competitiveness, now in exchange for incorporation of the social partners in socio- and macroeconomic policy formation to qualify for the EMU, and, especially with regard to trade unions, active labour market policies and tax reductions as part of the stricter monetarist and supply-side management. Negotiated changes in the welfare state (entitlements and benefits) also remained on the agenda for political exchange (e.g., Jones 1999).

In the early 2000s, after the burst of the internet bubble and the effects of 9/11, the room to manoeuvre for all three actors again decreased within a deteriorating macroeconomic context due to the global economic downturn between 2003 and 2005. At the same time the EMU requirements (Stability and Growth Pact) were upheld, that is, monetarist and supply-side management of budget deficits and public debt were continued. The issues for political exchange in this period remained roughly the same as in the 1990s (Acocella et al. 2009).

This very brief sketch of the changing socio- and macroeconomic and international context between 1970 and 2006 in which corporatist policy formation had to take place, shows at once the persistence of the issue of wage restraint and the changing pattern of the possible exchanges: in the 1970s wage restraint for public policy (the welfare state); in the 1980s for negotiated downward adjustments of wages and social security benefits and some active labour market policies; and in the 1990s and 2000s for a host of active labour market policies and (occasional) tax reductions. Reform of the welfare state, i.e. downward adjustment of social security and pension schemes, remained a central issue from the 1980s onward.

Flexibility, in order to maintain or increase competitiveness was the new objective of governments and employers associations. Trade unions had to follow suit. Flexibility in incomes policy was achieved by organised decentralisation of negotiations within nationally agreed general guidelines. Flexibility in social security and pension schemes was achieved by adjustment of eligibility and benefits. However, what has apparently not changed is govern-

ment involvement in incomes policy. In most countries government involvement has remained a characteristic feature of incomes policy. Especially in periods of economic difficulties governments tend to assume a leading role. First in bringing social partners together to forge a common policy solution. Second, when agreement appears to be not feasible, by imposing policy packages upon them.

As Katzenstein (1985) has put it, corporatism is essentially a mechanism to cope with change and to facilitate adjustment of small nations to the macroeconomic context (world market, globalisation, European integration) by incorporating interest groups in socio- and macroeconomic policy formation of the government. However, success is not guaranteed, not with respect to effective exchange (agreements), let alone with respect to macroeconomic performance (the expected outcome of the implemented policy agreements).

In the next sections this general description of changes in the macroeconomic and international context sets the stage for the analysis of corporatist policy formation in terms of business-as-usual, decline, or new.

3. Corporatist business as usual: Austria, Denmark, Finland, the Netherlands, Norway, and Switzerland

Business-as-usual corporatism is a process in which the actors involved between 1970 and 2006 more or less continuously attempt to arrive at joint policy agreements but not always and consistently achieve that goal. Agreements, government imposed policies and uncoordinated policies may all occur, but (trying to achieve) agreement should be the usual pattern of policy formulation and implementation.

The six countries show different patterns of corporatist policy formation between 1970 and 2006. Austria and Switzerland did not experience a major breakdown of corporatist insti-

tutions or of corporatist policy formation, nor were they confronted with major economic crises. Although both countries at first sight appear to present rather different (or even unique) cases of corporatist policy formation – (extreme) centralisation versus (extreme) decentralisation – the main difference seems to be the extent of *formal* institutionalisation and centralisation on the national level.

Finland and Norway did not experience a breakdown in institutions or corporatist policy formation either. However, the government and the social partners in these two countries were confronted with a major economic crisis (Finland) or a recurrent pattern of macroeconomic booms and busts to which corporatist policy formation did contribute as well (Norway). In both countries, government played an important role in the process of corporatist policy formation.

Finally, in Denmark and the Netherlands, corporatist institutions were restructured in the area of social security implementation (the Netherlands) or labour market and industrial policy (Denmark) and government and social partners had to contend with some severe downturns and rather persistent or recurring government deficits and public debt. Corporatist policy formation itself ran into difficulties as well. In both countries, trade unions had difficulty to adapt to changing macroeconomic circumstances which spilled over into recurrent unsuccessful corporatist exchange. Governments took a leading role in the process of corporatist exchange, in particular in times of economic adversity. In addition, the employers in Denmark were instrumental in saving corporatist policy formation. And in both countries corporatist exchange benefited from the macroeconomic context of the ‘miracles’ in the late 1990s.

Austria and Switzerland

In *Austria* historically both ‘corporatism 1’ (institutional and organisational structures) and ‘corporatism 2’ (involvement of trade unions and employers associations in policy formation)

have been extremely well developed (Falkner and Leiber 2004: 250; see also Heinisch 2001; Unger 2003; Hancké and Rhodes 2005). Between 1970 and 2006 that has not fundamentally changed, although both the corporatist structure as well as corporatist policy formation have come under some criticism in the mid 1990s during the formulation and implementation of the austerity packages of the ÖVP (conservative) and SPÖ (social democratic) coalition government (Unger 2003: 101; see also Crepaz 2002) as well as with the pension reform of the coalition government of ÖVP and FPÖ (rightwing) in 2003 and 2004. Whether this criticism marks a decline of corporatism remains to be seen, as accession to the EU in 1995 and qualification for the EMU in 1998 also implied the implementation of increasing numbers of EU regulations that require cooperation of social partners (Falkner and Leiber 2004: 252; Grote and Schmitter 2003: 291-292). And it was the process of qualifying for the EMU that induced government and social partners to conclude social pacts or central agreements to reduce government deficits and public debt in the mid 1990s in the first place. In addition, the incoming SPÖ and ÖVP coalition government after the elections of 2006 had social partnership high on its agenda (Obinger and Tálos 2006). However, both Heinisch (2001) and Unger (2003) point to a (very) slight decrease in the extreme level of centralisation over time.

Austrian governments of various denominations at first tried to counter the negative macroeconomic effects of the oil shocks in the 1970s by deficit spending. Although employment was kept relatively stable, economic growth deteriorated, inflation increased and so did government deficits and public debt. During the 1980s and well into the 1990s, controlling the budget and reducing deficits and debts received increasing priority from successive governments. At first deficits and debt kept increasing due to continued (Keynesian) anti-cyclical deficit spending, but over time deficits and debts increased in particular by structural factors like contributions to retirement schemes (reform of nationalized industries), debt servicing and increasing wage costs in the public sector (Woldendorp 1997: 63-64). The requirements

for accession to the EMU in the 1990s, combined with economic recovery in the late 1990s, set the stage in which successive governments in cooperation with social partners were able to tackle the fiscal crisis successfully.

The social pacts regarding the austerity packages in 1995 and 1997, as well as the pension reform of 1997 were aimed at reduction of government deficits and public debt in order to qualify for the EMU. Government took the lead during this concertation, social partners were divided internally and among themselves, but trade unions succeeded in toning down some of the austerity measures. The pension reform of 2003 and 2004 on the other hand was implemented by government against fierce resistance of the trade unions that staged the biggest strike in Austria since 1950. For the first time in recent Austrian history trade unions were also excluded from negotiations during the policy formulation phase. Generalised political exchange was both very restricted and to a large extent government imposed.

Swiss corporatism between 1970 and 2006 has been remarkably stable. Social partners are continuously and consistently consulted on the formation of national macroeconomic and social policies and are as a matter of course included in the implementation as well. Although the country's federal character, combined with direct democracy, lowers the governing capacity of central (national) government, the extent of decentralisation of Swiss (corporatist) policy formation should not be overstated (Grote and Schmitter 2003: 292; Armingeon 2003: 170; see also Oesch 2007; Häusermann et al 2004; Armingeon 2002)⁶.

Direct democracy does act as a break on increased taxation. With no means available for national deficit spending, government deficits do not occur and public debt is very low. Although Switzerland did not join the EU and EMU, it would, like Norway, have no problem qualifying. But social security schemes cover the country as a whole and in terms of expenditure (mandatory private schemes) the country developed from a welfare state laggard to a wel-

⁶ Like with the Dutch case, researchers disagree on the actual level of 'corporatism 1' (e.g., Lijphart and Crepaz 1991; Siaroff 1999).

fare state on a par with the conservative continental and social democratic welfare states (Merrien and Becker 2005: 127 ff.; see also Oesch 2007).

Swiss national government does not as a rule intervene in industrial relations but determines the legislative framework and lays down the general (national) rules for collective bargaining on sub-national levels (Woldendorp 1997: 66). Like in the Netherlands and in Sweden, employers associations are stronger and much more centralised than trade unions (Oesch 2007). Collective bargaining on the sectoral level can be characterised as pattern-setting (akin to Germany and Sweden since 1997). The engineering sector sets the standard for the exporting sectors and companies nation-wide and the construction sector for the internal market across the country. Generalised political exchange in the 1990s involved the gradual abolition of wage indexation to inflation in collective agreements combined with increased welfare state expenditure (Oesch 2007; see also Merrien and Becker 2005).

Due to the country's specialisation in financial services and the manufacturing of quality goods (Merrien and Becker 2005), it has not experienced any major economic crisis between 1970 and 2006 (Grote and Schmitter 2003: 292). The country followed the international business cycle in the 1970s, 1980s, and early 2000s, but these did not produce major economic problems domestically. Unemployment remained low⁷, as did inflation. In the 1990s, the Swiss economy followed a slightly different trajectory compared to the other countries under investigation. Annual economic growth was lowest of all OECD (Organisation for Economic Cooperation and Development) countries and productivity growth was quite low as well. Nevertheless, the country's export sectors succeeded to remain competitive and unemployment remained at very low levels (Häusermann et al 2004; Merrien and Becker 2005; Afonso 2010).

⁷ Unemployment in Switzerland was kept low until the end of the 1990s by dismissing the extensive temporary foreign labour force. At the turn of the century, Switzerland subscribed to the freedom of movement of personnel in the European area and this practice could not be continued (Oesch 2007: 347-8, 353; Afonso 2010).

Like the Austrian case, Swiss corporatism between 1970 and 2006 seems to be a relative success and business as usual. Swiss national policy formation occurs in at least three interlocking forums (Armingeon 2003: 180):

- the corporatist forum in which interest organisations (including trade unions and employers associations) bargain and cooperate with parliament and government,
- the consociational forum or parliament in which the political parties are involved,
- and the canton-federal forum in which sub-national governments bargain and cooperate with the national government.

In all these forums trade unions, employers associations and political parties (parliament and government) are represented. Either in the relevant bi- and tripartite committees that cover the different policy-areas or as politicians. Representatives of (peak) organisations of social partners also sit in national and cantonal parliaments as members of political parties. Swiss corporatist policy formation and its political institutions are as well developed and integrated as in Austria, but they lack the highly centralised and formally institutionalised character.

To conclude, Austrian and Swiss corporatist policy formation between 1970 and 2006 by and large remained business as usual. In both countries ‘corporatism 1 and 2’ are well developed and integrated and able to cope successfully with the national effects of globalisation and European integration. The countries differ with respect to the institutionalisation of corporatist policy formation. Austrian corporatism remains extremely centralised in formal institutions. Institutionalisation in Switzerland is of a much more informal nature, due to the country’s federal system.

Denmark and the Netherlands

Danish corporatist policy formation between 1970 and 2006 has had its ups and downs. To counter the negative macroeconomic effects of the oil shocks in the 1970s – rapidly increasing unemployment, inflation and budget deficits – social democratic minority governments tried to achieve comprehensive collective agreements (social pacts) aimed at wage moderation between trade unions and employers associations. To entice trade unions to agree to wage moderation the government offered them compensatory legislation and government policies. However, due to trade union resistance based on increased union density these attempts often foundered. When no collective agreements could be reached, as in 1975, 1977 and 1979, the government took over incomes policy and dictated new collective agreements. And even when agreements were struck wage moderation was not achieved because of lacking trade union discipline that was rooted in the same increasing union density. As a consequence, government deficits increased (public sector wages) as did unemployment (Woldendorp 1997: 66-67; Lind 2000: 137).

In the 1980s, conservative and liberal minority governments took tougher measures against inflation, increasing government deficits and unemployment. To reduce inflation, price indexation of wages, benefits and pensions was scrapped (1985). To reduce government expenditure, higher contributions to social security were imposed upon employees and employers. Furthermore, to avoid a continuation of devaluation of the currency, the Danish crown was pegged to the German DM. Trade unions organised massive strike actions in 1985 and again in 1986 and 1987 to fight government policies, as well as employers who refused to conclude a central agreement. As no central agreement was reached in 1985, government took over incomes policy and imposed a policy package on social partners covering 1985-1987. Despite their strikes actions, trade unions had to give in to government and employers and had

to accept an organised decentralisation of wage bargaining from 1987⁸. Notwithstanding the continued, more decentralised corporatist policy formation after 1987, unemployment kept rising, inflation remained high and budget deficits and the public debt increased further until the mid 1990s (Jochem 2003: 118, 130-132; Lind 2000: 137 ff.; Martin and Thelen 2007: 22).

Unlike their Swedish counterparts, Danish employers rebuilt relations with trade unions in the following years and kept corporatist policy formation in Denmark going, albeit in a more decentralised fashion than before. Employers internally (re)centralised their input in decentralised wage bargaining and with some delay the trade unions followed suit (Jochem 2003: 115, 130-132; Martin and Thelen 2007: 21-22).

In the 1990s, employment became the new central issue for corporatist exchange. Although until the 1990s, the Danish model of corporatism had given social partners considerable autonomy in employment regulation by bilateral negotiations without government intervention, in the 1990s successive (minority) governments abandoned their customary passive attitude towards labour market policy and embarked upon active labour market policies (Jochem 2003: 130-132; Lind 2000: 137 ff.; see also Falkner and Leiber 2004). From 1995 macroeconomic performance took a turn for the better as well, and economic and employment growth increased, inflation decreased, the budgets became balanced: a Danish miracle had appeared (Green-Pedersen and Lindbom 2005). Corporatist policy formation featuring active labour market policies, combined with moderate real wage increases (due to low inflation) continued both on the decentral and on the national level as was shown by the national agreements on wage policy in 1995, 1997, 1998, 2001, 2004 and 2007 (Due and Green Madsen 2008; Dølvik 2007).

Although Denmark had joined the EU (1995), like Sweden it had not signed up for the EMU. Unlike Sweden, however, the country's monetary policy had been much stricter since

⁸ The 1987 pact between trade unions and employers association that was endorsed by the government covered a four-year period and was aimed at wage moderation (Dølvik 2007: 22).

the early 1980s when the currency was pegged to the German DM. This policy was continued in the 1990s and 2000s by pegging the currency to the Euro. The road to currency devaluation, the preferred Swedish policy instrument, had been closed by Danish government (Jochem 2003: 118).

In Denmark, trade unions had been the dominant partners in political exchange until the mid 1980s. Trade unions determined whether corporatist exchange was possible, and, when it did happen, whether it was successful in its implementation. Regularly it was neither. In the mid 1980s, however, through government intervention, trade unions lost their dominant position to the restructured employers association. As in Austria, the Danish employers association is dominated by small to medium companies. Instead of dismantling corporatist policy formation and implementation like the employers did in Sweden, Danish employers “rebuilt effective cooperation between capital and labour” (Jochem 2003: 115). The continuation of corporatist policy formation in the 1990s was supported by active labour market policies of the government and the Danish miracle later that decade.

The *Dutch* variety of corporatism has always been an issue in international comparative research. It is one of the cases, like Switzerland, on which researchers disagree. Nevertheless, the general opinion is that the country belongs to the corporatist universe, but opinions differ with regard to the actual level of corporatism as expressed in its institutional and structural aspects (‘corporatism 1’) (e.g. Lijphart and Crepaz 1991; Siaroff 1999). As to ‘corporatism 2’, corporatist policy formation aimed at generalised political exchange, Dutch corporatism followed a trajectory not very different from other countries under investigation⁹.

In the 1970s, corporatist exchange was aimed at countering the negative macroeconomic effects of the two oil shocks: high inflation, low economic growth, increasing unem-

⁹ The paragraphs on the Netherlands are based on Woldendorp 1997; Woldendorp 2005; Woldendorp and Keman 2006, 2007, 2010; and Woldendorp and Delsen 2008. Other sources for the Dutch case include: Becker 2005; Hancké and Rhodes 2005; Hemerijck 2003; van Waarden 2002; Hemerijck and Visser 2000; Hemerijck et al 2000.

ployment, government deficits and public debt. Due to their widely differing views on how to manage the economic problems, social partners could often not (or only barely) agree on a central agreement or social pact. In response, government regularly took over incomes policy and imposed quite detailed policy packages on social partners. At first these packages were aimed at Keynesian demand management by social democratic – christian democratic coalition government, but at the end of the 1970s escalating government deficits and debt induced christian democratic – liberal coalition governments to develop austerity measures to reduce the rapid increase of government expenditure.

In the 1980s corporatist exchange was forced on social partners. The macroeconomic context for corporatist exchange was the transition to stricter monetary and austerity policies. The Dutch currency was pegged to the German DM early in the 1980s and government focused on reducing public expenditure in an effort to reduce the deficit and debt that kept rising despite gas revenues. The now famous Wassenaar Agreement of 1982 was concluded under strong pressure from the incoming christian democratic – liberal government Lubbers I and concerned an exchange between (automatic) price indexation and working hours to achieve wage moderation in the market sector, to be effected on the decentral level. The agreement was the result of an outright threat of the government that, if no agreement on wage moderation in the market sector between social partners would be reached, the government would continue to impose incomes policy as in 1980-1982 when social partners also could not come to an agreement due to their widely differing views how to tackle the economic and budgetary problems. In 1982, despite their continuing differences of opinion, social partners indeed preferred a bipartite agreement on incomes policy in the market sector more than a continuation of statutory incomes policies in that sector that made them redundant.

With the Wassenaar Agreement in the market sector, government developed a new incomes policy package for the public sector. Despite heavy resistance from trade unions, in 1983 all linking mechanisms¹⁰ were put on hold, and in 1984, public sector wages, benefits and pensions were cut in real terms to reduce growing budget deficits and escalating public debt. Political exchange in the remainder of the period was about negotiated downward adjustment of social security policies (entitlements and benefits), pensions and wages in the public sector in exchange for early retirement and employment policies. The only other central agreement (1987) was on employment issues.

Between 1990 and 2005 corporatist exchange in the Netherlands was at its heydays. In 12 of the 16 years (75%) a social pact (central agreement) was concluded between the government and social partners that provided guidelines for decentral negotiations. In a context of macroeconomic recovery after 1995 (the Dutch miracle - see Visser and Hemerijck 1997; Keman 2003; Salverda 2005) and qualification for the EMU corporatist exchange was supported by the government's active labour market policies that resulted in rapidly increasing part-time employment and by the annual negotiability of the linkage between market and public sector. Government remained an active and often leading partner in this exchange.

Corporatist exchange between 2000 and 2005 was, however, of a quite different nature. The economic downturn after the burst of the internet bubble and 9/11, as well as the requirements of the Stability and Growth Pact induced successive governments to opt for an austerity agenda between 2003 and 2005. The market sector and the public sector were de-linked again, subsidised employment was scrapped, as was fiscal support for early retirement schemes. The government's pro-cyclical fiscal policies added to the economic downturn.

¹⁰ The linkage came in force in 1974 with the policy package of the government Den Uyl (CDA-PvdA). Wages, benefits and pensions in the (semi-) public became linked to the statutory minimum wage (1969) and to the average rise in collectively agreed wages in the market sector. In 1979 this linkage became statutory (Law on Adjustment Mechanisms). Consequently, incomes policy in the market sector had a direct effect on incomes in the (semi-) public sector and on the government's budget (deficit). From 1983, the linkage was put on hold; since 1992 it is conditional (Law on Conditional Indexation)(Visser and Hemerijck 1997: 132 ff.).

The pattern of negotiations in 2003-2005 was that after lengthy, difficult, usually acrimonious negotiations, in particular between trade unions and the government, that were accompanied by strikes and other union actions, in each year a bipartite central agreement on wage moderation was concluded between social partners. These central agreements were all supported by the successive governments in separate declarations in which part of their projected austerity agenda was retracted. The retracted parts of the government agenda then resurfaced on next year's government agenda and were again partly retracted in order to support next year's Central Agreement. For trade unions in particular these years were a continuous effort in damage control in which they were only partially successful. Employers usually sided with the government. In effect, government dictated corporatist exchange, as it had done in the previous crisis situation in the early 1980s.

To conclude, in Denmark and the Netherlands corporatist policy formation remained business as usual. However, in both countries it was not always successful in terms of agreement. 'Corporatism 1' is neither a necessary nor a sufficient condition for 'corporatism 2'. The success of corporatist policy formation depended on the macroeconomic and international context and how the actors involved structured their behaviour in response. Government had a pivotal and often leading role in that process in both countries. In addition, in Denmark the employers saved corporatist policy formation in the late 1980s.

Finland and Norway

Although a relative late comer to corporatism, between 1970 and 2006 *Finnish* corporatist policy formation usually produced generalised political exchange that took the form of package deals between government, trade unions and employers associations. Depending on the context, these social pacts were of a more central and comprehensive or more sectoral nature. In general, the social pacts provided the central guidelines for decentral negotiations. The role

of the social democratic party with its key position in most coalition governments and in the trade unions was crucial for these exchanges, but other parties in the various coalition governments did not oppose or abolish corporatist policy formation aimed at generalised political exchange (Hancké and Rhodes 2005: 209, 213; Grote and Schmitter 1993: 285; Kauppinen 2000: 163-164; see also Kiander 2005).

Until the early 1990s, Finland did reasonably well economically. As in Switzerland, the country's economy broadly followed the international business cycle that, likewise, did not produce major national economic crises. Unlike Switzerland, devaluation of the currency was the preferred policy instrument for macroeconomic adjustment to the world market, as it was in Sweden and Belgium as well (Woldendorp 1997: 67; Grote and Schmitter 2003: 285; Kauppinen 2000: 163-164).

The exceptionally severe economic crisis that hit Finland in the early 1990s was due to the combined effects of the demise of the Soviet Union that closed off Finland's major export market, and the macroeconomic aftermath of the first Gulf War (1991). Within a very short period of time economic growth plummeted and the economy contracted, unemployment increased six-fold and the government's deficit and public debt increased sharply. In the midst of this economic crisis Finland became a member of the EU (1995) and signed up for the EMU as well. This context of macroeconomic crisis and the need to meet the EMU requirements induced successive governments and the social partners to negotiate and conclude a series of comprehensive social pacts that started in the early 1990s and continues until the present (2005-2007)¹¹. At first to counter the effects of the economic crisis. The currency was devaluated as well (1991). Next, after 1995, to qualify for the EMU, by reducing government deficits, public debt and inflation. Contrary to Sweden and Austria, the 2005 pension reform

¹¹ Only in 1994-1995 employers refused to participate in centralised political exchange and that resulted in a strike wave organised by the trade unions.

was based on a tripartite central agreement (Hancké and Rhodes 2005: 209; Grote and Schmitter 2003: 285-286; Kauppinen 2000: 164; see also Dølvik 2007).

Corporatist policy formation turned out to be successful. The three actors involved proved to be capable and willing to engage in generalised political exchange in a context of severe economic crisis and strict monetary policy (EMU) even though the latter was a new phenomenon for Finland with its history of currency devaluation. In addition, the country's macroeconomic performance had also improved by the early 2000s: economic growth had increased, employment was halved (but remained quite high at around 9%), and the country qualified for the EMU (Kiander 2005). All in all, Finnish corporatist policy formation has been a case of successful business as usual.

Norway has commonly been regarded as belonging to the same category of corporatist and coordinated economies as Sweden. Corporatist policy formation in Norway is, however, of a different nature. It closely follows the (intern)national business cycle of economic booms and busts. In periods of economic boom social pacts were concluded that contributed to the following period of economic bust. In the periods of economic bust, social partners and the government then negotiated emergency policy packages that were implemented by the government. The emergency packages featured austerity policies and wage restraint to redress the economic downturn. This 'stop-and-go' pattern repeated itself in the 1970s, the 1980s, as well as in the 1990s. Both types of social pacts provided central guidelines for decentral negotiations (Dølvik and Martin 2000: 282-293; Woldendorp 1997: 64; see also Rommetvedt 2005; Dølvik 2007).

The macroeconomic context for corporatist policy formation, however, changed over time. In the 1970s the context was Keynesian demand management to counter the effects of the two oil shocks: unemployment, low economic growth and high inflation. To facilitate negotiations, social democratic minority government offered package deals of social reform, tax

concessions, reduced contributions for social security and price subsidies. Nevertheless inflation increased and by the end of the 1970s the government intervened with a wage freeze and deflationary policies.

The 1980s featured a transition to more austere and monetarist supply-side management aimed at low inflation and competitiveness by using a fixed exchange rate. This national emergency package was negotiated by the incoming social democratic minority government and the trade unions in the late 1980s to counter the negative macroeconomic effects that resulted from the boom-bust pattern induced by the previous 'bourgeois' minority government's macroeconomic policy in the early 1980s (Woldendorp 1997: 64; Dølvik and Martin 2000: 290).

In the 1990s, corporatist policy formation remained locked into supply-side management but now featured a more extensive political exchange as well, involving tax reform, a review of public expenditure and active labour market policies. Corporatist policy formation in the 1980s and in the 1990s was supported by oil revenues and a more flexible monetary policy with respect to the Norwegian currency. Although Norway did not join the EU and, consequently, did not opt for the EMU, like Switzerland, the country would have no problem qualifying due to the oil revenues.

At the turn of the century, the Norwegian economy showed signs of overheating again. Despite the dominant central trade union organisation's commitment to moderate wage bargaining, its rank-and-file as well as some of the other trade union organisations struck for higher bargains which fuelled inflation. Rising inflation induced the Norwegian Central Bank to up interest rates in 2002, causing rapidly increasing unemployment in 2002 and 2003. This in turn triggered the next round of tripartite negotiations on a fourth emergency program (Dølvik 2007).

To conclude, in Finland and Norway corporatist policy formation remained business as usual. Government often took the lead, particularly during crisis periods, and social partners on the whole responded favourably.

Business as usual

Corporatist policy formation in Austria, Denmark, Finland, the Netherlands, Norway and Switzerland remained pretty much business as usual between 1970 and 2006. At the same time corporatist policy formation in these countries exhibits different patterns. In Austria and Switzerland change in corporatist policy formation was minimal. Austrian political exchange remained very centralised, whereas in Switzerland no national guidelines are set for decentral negotiations of a pattern-setting nature. Corporatist policy formation in Finland and Norway had to contend with macro-economic changes and an international environment that regularly induced the government to take the lead in the policy formation process. The leading role of government in corporatist policy formation during crisis periods was even more pronounced in Denmark and The Netherlands. Social pacts in these four countries served as general guidelines for decentral negotiations.

4. Declining corporatism: Belgium and Sweden

Declining corporatism is a process in which the actors involved in corporatist policy formation between 1970 and 2006 either ceased to try to arrive at joint and generalised political exchange or in which they despite repeated attempts by one or two of the actors were not able or remained unwilling to come to a policy agreement. The result may be government imposed policies, uncoordinated policies, or an alternation between the two.

In the wake of the 1973 oil shock, centralised (national) corporatist policy formation in *Belgium* collapsed in 1975. Between 1975 and 1981 the government repeatedly tried to entice social partners to come to national agreements in an effort to counter the socio- and macro-economic effects of the oil crisis. Due to the political fragmentation and the laborious consultation procedures with interest groups (linguistic divisions), as well as resistance from the trade unions, all these attempts failed. In the 1970s and 1980s some coordination remained on the sectoral level through the pillars (catholic, socialist), but in the 1990s federalisation included a division of the pillars over the linguistic territories in which the larger part of the socialist pillar ended up in Wallonia (Woldendorp 1997: 66; Hemerijck and Visser 2000; Hancké and Rhodes 2005: 214-217).

As a consequence of this failed central coordination, it was the government that imposed socio- and macroeconomic policies on social partners between 1982 and 1998. In the 1980s the government's policy packages of deficit spending and currency devaluation were aimed at economic growth to reduce high unemployment that arose from the shift of economic activities from Wallonia to Flanders. The latter region concentrated on light industries and services which created economic growth and employment. However, on the national level this economic and employment growth did not offset the slow or negative economic growth and massive unemployment in Wallonia that resulted from this region's heavy industries (coal, iron, heavy machinery) closing down. The government's deficit spending and currency devaluation was partly effective at first. In the 1980s Belgium displayed relatively high levels of economic growth. Employment levels, however, remained poor and the policy saddled Belgium with very high levels of debt and deficits in the early 1990s (Grote and Schmitter 2003: 288; see also Arcq and Pochet 2000).

Given European integration (single market and EMU), government policy in the 1990s was reversed and now aimed at qualifying for the EMU. This the country managed with some

difficulty, but economic performance hardly improved. Structural unemployment remained high, productivity growth was slow, as was employment growth in private services.

Besides the European-wide change in the macroeconomic and international context between 1970 and 2006, Belgian corporatist policy formation had to contend with its particular national problem: increasing linguistic conflict leading to political federalisation (Deschouwer 2006). The demise of Belgian corporatist policy formation is by and large the result of the interaction between the two. Linguistic conflict was exacerbated by the economic shift from Wallonia to Flanders and resulted in the federalisation of the country. On the national level, socio- and macroeconomic spending in Wallonia became dependent on revenues collected in Flanders.

Federalisation and economic shift that concentrated economic problems in Wallonia increasingly reduced the possibilities and scope for central (national) corporatist policy formation (political exchange). Strong trade unions that on the whole refused to engage in political exchange and weak employers associations that were also both divided again along linguistic (and economic) lines, combined with federalisation, would have made a centralised (national) political exchange between government and social partners very difficult even in the best of (macroeconomic and political) situations. In the Belgian case it turned out to be impossible between 1975 and 1998 and government took over national socio- and macroeconomic policy formation (Hemerijck and Visser 2000; see also Jones 2002; Keman 2008).

However, tripartite national corporatist policy formation was partially revived after 1998. Based on the 1996 Law for 'the promotion of employment and preventive safeguarding of competitiveness', the Central Economic Council (CEC) sets national guidelines for incomes policy using wage cost data from the country's immediate neighbours Germany, France and the Netherlands. The aim is to achieve wage moderation, i.e. a wage cost level below these competitors (Pochet 2004). Between 1998 and 2004 and again between 2006 and

2008 social partners succeeded in concluding national agreements on incomes policy because government reduced social security contributions as part of the exchange. Between 2004 and 2006 social partners could not come to an agreement (the socialist union refused) as government was not prepared or able to assist corporatist exchange by reducing social security contributions. Consequently, government implemented the CEC wage norm unilaterally.

The partial revival of national corporatist policy formation in Belgium after 1998 seems therefore largely dependent on the government as the leading and crucial actor in the exchange. The government sets the national guidelines for incomes policy through the CEC. Agreement between social partners apparently depends on the government's willingness or ability to offer compensatory incentives for exchange. And if no agreement is reached, government continues to determine incomes policy as it has done between 1975 and 1998.

Sweden used to be the archetype (Keynesian) model of corporatism combined with social democratic government cum welfare state in which social partners were as a matter of course included in most areas of policy formation. In wage policy, however, social partners were involved in a process of autonomous self regulation (akin to Denmark) under the aegis of a (minority) social democratic government that took care of the welfare state and (public) employment (Dølvik and Martin 2000: 279; Green-Pedersen and Lindbom 2005).

In the early 1970s social democratic minority government induced trade unions to apply voluntary and coordinated wage restraint by offering an extensive compensatory program of social reforms, including wage earner funds. The concept of wage earner funds originated from the central trade union organisation and initially took government by surprise. But the issue was quickly incorporated in the reform package. Wage earner funds were designed as a measure to give the employees a share in company profits when these came above designated levels. Not surprisingly, the employers were adamantly set against these funds.

The 1976-1982 'bourgeois' government threw out the wage earner funds, but a watered-down version was included in the policy package with which the incoming social democratic minority government from 1982 again induced trade unions to apply voluntary and coordinated wage restraint. But employers refused to continue coordinated centralised wage bargaining as long as wage earner funds remained part of the government's reform package. Consequently, centralised and coordinated wage bargaining collapsed (Woldendorp 1997: 64-65).

After the collapse of centralised coordinated wage bargaining in the early 1980s, the government first attempted to revive coordination, but from 1985 government ceased efforts to coordinate wage policy with trade unions and employers associations. Uncoordinated wage policies on the sectoral levels resulted in a strong wage growth that led to a sharp decline of employment in the early 1990s when Sweden experienced its deepest economic crisis since the 1930s Depression. In 1991, the employers association also withdrew all its representatives from the boards of all corporatist agencies, and, more importantly, next ceased to continue to coordinate (sectoral) wage bargaining at the side of employers. In the 1990s, wage drift continued and contributed to low growth rates, whereas inflation remained high (Jochem 2003: 115, 123-125; Blom-Hansen 2000: 158; Dølvik and Martin 2000: 297; see also Falkner and Leiber 2004; Dølvik 2007).

In 1997, under strong pressure from the government and in a context of economic recovery social partners agreed to reintroduce a certain measure of coordination in wage bargaining again. The German system of pattern-setting bargaining was introduced (see also Switzerland). The (exporting) manufacturing sector was to set the norm for other sectors. Employers agreed to this renewed (partial) coordination after decentralised bargaining in 1995 and 1996 had resulted in high wage rises as the forest industry emerged as the leading sector

for collective agreements. The international sector had great difficulty in meeting the agreed wage rises (Martin and Thelen 2007: 6-7).

In the 1970s and 1980s successive governments of both social-democratic and 'bourgeois' persuasion succeeded in keeping unemployment at a very low level. This came at a cost, however, of increasing budget and trade deficits, public debt and high inflation. Sweden is a member of the European Union (EU) but has not signed up to the EMU. Although the country's economy has to face up to the vicissitudes of the world market, the Swedish government has not had to adjust its social- and macroeconomic policies to the EMU requirements from the 1990s. This reduced the pressure for both government and social partners to develop a generalised political exchange aimed at adjustment to a stricter monetary policy context. Instead, devaluation of the currency remained the preferred policy instrument for macroeconomic adjustment to the world market.

In Sweden, in response to trade union and social democratic government plans for wage earner funds, the employers effectively dismantled first coordinated wage bargaining and next corporatist policy formation in other policy areas as well, making corporatist policy formation and implementation very difficult if not impossible, despite the introduction of pattern-setting bargaining in the late 1990s. Like in the Netherlands and Switzerland, a few large (multinational) export corporations dominate the employers association. To protect their competitiveness these employers favoured the introduction of pattern-setting coordination of wage bargaining.

Welfare state issues, including the adjustment of welfare state policies, were relegated to parliament and party government (e.g., the pension reform in 1998 was effected without participation of social partners – see Marrier 2008: 524, 527-8). Both welfare state issues, as well as the issue of corporatism, e.g., the coordination and mediation of policies and preferences between interest groups and the government, have become highly politicised as part of

the political and ideological struggle between Left and Right. Jochem (2003: 137) even suggests that Swedish politics and policies are moving towards the Westminster, pluralist model, but, in contrast to most pluralist nations at present, with a strong labour movement (see also Lindvall and Sebring 2005)¹². That may explain why the core welfare state in Sweden has remained in tact between 1970 and 2006 despite decreased corporatist policy formation and cutbacks to reduce deficits and debt (Castles 2004).

To conclude, the Belgian and Swedish cases show that despite the existence of extensive 'corporatism 1' institutions in both countries, national corporatist policy formation declined between 1970 and 2006 because one of the actors involved withdrew from the process (Sweden) or the process itself was first dismantled through federalisation and only partially and conditionally revived under government guidance recently (Belgium).

5. New corporatism: Ireland

New corporatism is a process in which in a country that had no, or not much, prior experience with corporatist generalised political exchange this phenomenon nevertheless occurred and continued over some period(s) of time between 1970 and 2006. One-off attempts or occasional agreements are discounted.

Ireland is the one country in this paper that has not been classified as corporatist in any comparative analysis. According to comparative research it belongs firmly to the universe of pluralist Anglo-Saxon welfare states (e.g., Siaroff 1999; Kenworthy 2003; Wilensky 2006).

Nevertheless, between 1970 and 2005 the country has experienced only a relatively short pe-

¹² Svensson and Öberg (2002) contest the notion of a general decline of corporatism as a process of policy formation in Sweden. Although they agree that corporatist wage bargaining has declined and institutionalised participation of labour market organisations in public policy formulation and implementation has declined as well, their research shows that these organisations are still heavily involved in public policy formation by lobbying politicians (trade unions lobbying social democratic politicians) and civil servants (lobbied by employers association) and other means. From the point of view of corporatism as an interdependent tripartite policy formation process between government and social partners, however, their conclusion fits well with the trend towards a pluralisation of politics observed by Jochem (2003).

riod of some nine years (1970, 1971, 1980-1987) in which no generalised political exchange concerning incomes (wages and taxes) and labour market policies between the government of the day, trade unions and employers associations was effected. And from 1987 to 2005 the exchange consisted of an uninterrupted chain of central (national) agreements (Teague and Donaghey 2009; Roche 2007; Hancké and Rhodes 2005: 211; Rhodes 2001: 184-186).

Ireland typically is a case in which ‘corporatism 1’ or the existence of an integrated and extensive network of institutions and organisational structures, and in addition social democratic government or an extensive welfare state, was historically lacking. But Ireland turns out to be a case as well in which ‘corporatism 2’ is apparently not only very much alive and kicking, but also seems to produce its own variety of ‘corporatism 1’ over time (for the present institutional architecture of Irish corporatism, see Roche 2007: 404 and Grote and Schmitter 2003: 285; for a more critical appraisal, see Teague and Donaghey 2009: 57).

The series of pacts in the 1970s did not materialise in more peaceful industrial relations, nor in the expected better macroeconomic performance. This negative experience with the outcomes of corporatist policy formation in the 1970s led to ‘wide-spread disillusionment’ (Roche 2007: 396) and to polarised views within and between political parties, governments, and social partners with regard to the continuation of generalised political exchange. Consequently, no social pacts were concluded between 1980 and 1987.

However, due to increasing macroeconomic difficulties in the 1980s – a severe recession, high unemployment, rapidly escalating government deficits and public debt – corporatist political exchange was revived with the 1987 crisis pact by a Fianna Fail minority government. From 1987 to 2005, every three year in succession a new pact was negotiated between the government of the day and social partners. In the 1990s, the aim to qualify for EMU membership became a major driving force for all actors involved to conclude these pacts. From 2000 other issues surfaced as well, for instance the aim to counter the 2003-2005 reces-

sion in the aftermath of the burst of the internet bubble and 9/11. All pacts consisted of rather broad packages of measures aimed at, for instance, greater equity in taxes, a reduction of inequalities, the generation of employment, ceilings or floors in pay rises, additional policy measures for the lower paid, a reduction of working time, and the like (cf. Grote and Schmitter 2003: 285).

To be clear, the social pacts did not include policy measures that were aimed at the construction of an extensive conservative continental or social democratic welfare state. Ireland firmly remains a more limited Anglo-Saxon welfare state (Castles 2004). But the social pacts were an example of generalised political exchange, they concerned extensive policy packages on incomes policy (taxes and wages) and on labour market policies. And corporatism (be it ‘corporatism 1’ or ‘corporatism 2’), the welfare state and social democratic government have quite often in comparative research been confused conceptually (see Woldendorp 2005: 20-22), although these three concepts, though related, in fact refer to different aspects of the realms of politics and economics.

Not only was generalised political exchange consistently and continuously successful between 1987 and 2005, as the 1990s progressed, thanks to the influx of direct foreign investment and European funds, socio- and macroeconomic performance of the Irish economy turned out to be a miracle in itself (Hancké and Rhodes 2005: 215; see also Daly 2005; Teague and Donaghey 2009), akin to, for instance, the Dutch (Visser and Hemerijck 1997; Keman 2003; Salverda 2005) or the Danish miracle (Green-Pedersen and Lindbom 2005). Competitiveness of the economy increased, government deficits disappeared and public debt decreased significantly while at the same time unemployment was low and the country could boast a relatively equal distribution of both tax and social security reforms that were implemented through the successive pacts.

To conclude, the Irish case also shows that ‘corporatism 1’ is not a necessary, nor sufficient condition for ‘corporatism 2’ to occur or to be successful in terms of agreement. Generalised political exchange also depends on the macroeconomic and international context and how the actors involved structure their behaviour in response. And over time, the actors behaviour that materialised in generalised political exchange seems to be able to create its own variety of ‘corporatism 1’ as well.

6. Concluding remarks

The contribution of the actor oriented approach of corporatism in this paper to comparative research of corporatist policy formation is that agency is brought back in. This enables comparative research to come to grips with changing macroeconomic policy formation in democracies over time. By definition, macroeconomic policy formation in democracies is not a fixed, static entity. Policy formation changes as party government changes. Policy formation also changes as the macroeconomic and international context changes in which the actors involved in policy formation have to operate. To be able to capture these changes requires a dynamic, actor oriented conceptualisation of corporatist policy formation.

This paper shows that a comparative review of corporatist policy formation in nine small North-West European countries between 1970 and 2006 adds to our understanding of corporatist policy formation between government, trade unions and employers organisations over time. First, this comparative review shows that corporatist policy formation in Austria, Denmark, Finland, the Netherlands, Norway and Switzerland has largely remained business as usual; that corporatist policy formation in Belgium and Sweden has declined; and that in Ireland corporatist policy formation has developed as a new phenomenon.

Second, this comparative review has also been able to identify explanatory factors for the above findings, and these factors turn out to be largely country specific. But all have in common that they refer to strategic behaviour of (one or more of) the actors involved within a particular macroeconomic or international context. Strategic behaviour of government, trade unions and employers organisations in Austria was well integrated in the very centralised and formally institutionalised national corporatist structure of the country, whereas corporatist policy formation in Switzerland was equally well integrated but less centralised and much more informally institutionalised. The government was a key partner in corporatist policy formation in Denmark, Finland, the Netherlands, and Norway. In Finland and Norway trade unions and employers organisations on the whole responded more or less favourably to government initiatives, whereas in Denmark and the Netherlands especially the trade unions had difficulty to adjust to the changing terms and issues of corporatist policy formation and it was the government that effectively forced these adjustments on them. In addition, in Denmark the employers were instrumental in keeping corporatist policy formation business as usual. Declining corporatist policy formation and its recent partial and tentative consolidation on a lower level was either due to the federalisation process and its consequences for national policy formation in Belgium, or to the withdrawal of one of the actors (employers) from national corporatist policy formation in Sweden. In Ireland, new corporatist policy formation started as a form of tripartite crisis management, first in the 1970s and then again in the late 1980s, and was sustained by long term positive macroeconomic performance between 1990 and 2006.

Using an actor oriented approach of corporatism enables comparative research into corporatist policy formation to investigate what (and why) actors actually do when they engage (or refuse to engage) in corporatist policy formation and how the results of that process of interaction – agreement or not – can be explained. An actor oriented approach of corporatism therefore is conducive to a more dynamic analytical description of the strategic behav-

ious of actors within the institutional context of a polity when it comes to the formation and implementation of various types of socio- and macroeconomic policy.

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